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ABSTRACT

This report reviews the policies and resultant compensation levels for executives in California's public higher education system, including community colleges. With respect to community colleges, the study finds that average salary for chancellors in multicollege districts increased by 7.7% over last year's report, while the average salary for college presidents in multicollege districts increased by 6.8%, and that of superintendents and presidents in single college districts increased by 7.3%. Despite modest increases over salaries in the past academic year, the average salary of presidents at the California State University lags behind national comparison institutions by 21.1%, a gap that is more than double last year's gap. The average salary of chancellors is lower than that of chancellors at national comparison institutions by 27.3%, the greatest gap since the Commission began issuing this report. These findings underscore the difficult position of California's public institutions of higher education, caught between the demands of public accountability and economic constraints and the need to attract the best qualified personnel. Three appendixes describe the university system's executive benefit program, a compensation study, and the benefits program in May 2002. (SLD)

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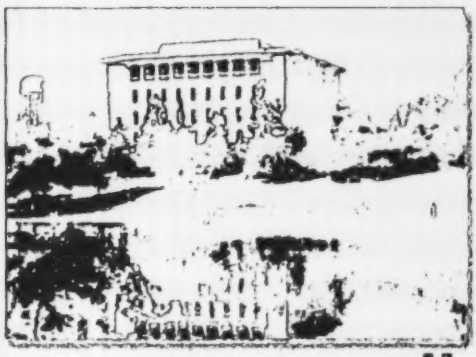

EXECUTIVE COMPENSATION IN PUBLIC HIGHER EDUCATION, 2001-02

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CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

JULY 2002

COMMISSION REPORT 02-11

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Summary

This report responds to the Legislature's directive that the Commission report annually on the compensation received by the executives at California's public universities. For the 2001-02 academic year, we find that the average salary of presidents, superintendents, and chancellors in California's community college districts and campuses increased, depending on the type of institution, between 6.8 and 7.7%.

The report also finds that the average salary for presidents at the California State University lags its national comparators by 21.1% for 2001-02 -- representing a significantly larger gap than in 2000-2001 when the lag was 9.8%. Likewise, the average salary for chancellors at the University of California lags its 26 national comparison institutions by 27.3 % -- the highest figure since the Commission began issuing the report in 1993-94.

Beginning in 2001, the Commission directed staff to gather additional information about the value of the perquisites offered to executives at California's two public university systems for inclusion in this report. That information is contained in this report, as well as information relating to perquisites offered to executives at community colleges and districts.

The Commission adopted this report at its meeting of July 22, 2002. It has been be added to the Commission's Internet website -- www.cpec.ca.gov -- and will be electronically accessible to the general public.

Additional printed copies of this report and other Commission documents may also be obtained by e-mail at PublicationRequest@cpec.ca.gov; or by writing the Commission at 1303 J Street, Suite 500, Sacramento, CA 95814-2938; or by telephone at (916) 322-9268.

Executive Compensation in California Public Higher Education, 2001-02

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION
1303 J Street • Suite 500 • Sacramento, California 95814-2938

COMMISSION REPORT 02-11
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Executive Summary

This 2001-2002 Executive Compensation in California Public Higher Education report provides information on salary levels provided to executives at both the campuses and systemwide offices for the California Community Colleges, the California State University, and the University of California.

California Community Colleges

With respect to the California Community Colleges, the report finds that average salary for Chancellors in multi-college districts increased by 7.7% over last year's report, the average salary for college presidents in multi-college districts increased by 6.8%, and that the average salary of superintendents/presidents in single college districts increased by 7.3%.

Despite the information made available in this report, the challenge with analyzing and understanding executive compensation at the California Community Colleges has always been, and continues to be, twofold. First is the fact that the 72 community college districts are each responsible for policies and decisions surrounding establishing and adjusting executive compensation. While the Commission views this as entirely appropriate and reflective of the local flexibility, autonomy, and responsibilities provided to community college districts, it also undoubtedly makes more difficult the analysis of the various trends that may be occurring, changes in the nature of packages offered, and general understanding of the challenges that exist for this sector. Second, the lack of national comparison institutions and the national context they may provide limit our general understanding about both the opportunities provided by the Community Colleges for its educational leadership and the unique challenges the system faces.

California State University and University of California

With respect to both the California State University, and the University of California, this year's report underscores the challenges faced by public universities in providing competitive salaries for their campus and systemwide executives. This year's report shows that, despite modest increases in salaries over the past academic year, the average salary of presidents at the California State University lag their national comparison institution by 21.1% – more than doubling from last year's lag of 9.8%. Likewise, despite modest increases, the average salary for chancellors at the University of California campuses lag their 26 national comparison institutions by 27.3% – the largest lag since the Commission began issuing this report in 1993-94.

These lags exist despite actions taken by both the California State University Board of Trustees and the University Board of Regents over latter

half of the 1990's and early part of this decade to respond appropriately and make modest and steady gains to raise their average salaries to that of the averages of executives at their national comparison institutions – a goal explicit in the policies of both systems. Both the California State University and the University of California governing boards have provided somewhat larger increases in years where California's economy was robust and resources more plentiful, and more modest in years, such as the current one, in which California's fiscal situation is strained by numerous public priorities demanding attention. Despite these efforts, the lag continues to persist, and this year, increased significantly for both systems. In sum, with respect to executive compensation, California's public institutions operate within a national market where increases in executive compensation in higher education have often outpaced other standard inflationary indices.

Public universities are in very difficult positions as it relates to executive compensation. Their public nature demands that they be accountable to State taxpayers and citizens of the state. They must be fiscally responsible and take into consideration numerous competing priorities (student services, faculty salaries, housing, and academic program offerings, as examples) such that they are responsive to the broad public they serve. At the same time, they must continue to address issues of educational quality, of which educational leadership is certainly one important component influencing the quality and direction of the institution. Providing competitive salaries and compensation packages are imperative to ensuring that the institutions not only attract but also retain productive and effective educational leaders. This year's report, in particular, underscores the difficult nature of these challenges.

Executive Compensation in California Public Higher Education, 2001-02

Introduction

Pursuant to legislative directive, this 2001-02 Executive Compensation Report is the tenth in a series that reviews the policies and resultant compensation levels for executives in California's public higher education. It includes information on the compensation and benefits provided to executives at both the campuses and systemwide offices of the California Community Colleges, the California State University, and University of California.

Background

In passing the State Budget Bill of 1992-93, the Legislature included control language expressing its intent that the University of California and the California State University both report to the Commission annually on the level of total compensation provided their executives and that the Commission review and comment on that information. The specific language is as follows:

> It is the intent of the Legislature that the University of California and the California State University report to the California Postsecondary Education Commission on January 1 of each year, beginning on January 1,1993, on the level of the total compensation package for executives of the University of California (including the president, senior and vice presidents, and campus chancellors) and the California State University (including the chancellor, senior and vice chancellors, and campus presidents), respectively. It is the intent of the Legislature that the California Postsecondary Education Commission review the information provided and transmit its comment thereon to the Joint Budget Committee, the fiscal committees of each house, the appropriate policy committees of each house, and the Governor on or before March 1 of each year, beginning on March 1, 1993.

In signing the Budget Act, Governor Pete Wilson vetoed this provision, noting that, while he was supportive of public discussion of executive compensation, the provision was unduly restrictive. He added that both the University of California Board of Regents and the California State University Board of Trustees are "fully accountable for the programs they administer and the funds with which they are entrusted."

Despite the governor's veto of this provision, both the University of California and the California State University expressed support in carrying

out the Legislature's intent by providing the Commission with information on executive compensation. As a result, the Commission has issued annual reports on this subject since 1993-94. Additionally, the community colleges also participate voluntarily in this report.

The Commission's perspective and responsibility regarding executive compensation

Historically, the Commission has viewed executive compensation through the following lens:

- Because executives play various roles in public colleges and universities – educational leader, corporate administrator, and public servant – the development of policy and the resultant setting of compensation levels is a complex undertaking that requires an understanding of the numerous and diverse responsibilities assumed by these executives at the campus and systemwide levels;

- College and university executives can contribute immeasurably to the quality of educational environments in which they function;

- Because the amount of funds allocated for executive compensation is small with respect to an institution's resource base, its relevance in the budgetary context of institutions is relatively insignificant; and

- Despite the relative small expenditure of funds for executive compensation, this issue has the potential to generate enormous public relations concerns for institutions.

Because the governing boards of the two public university systems and the local boards of trustees of community college districts set the compensation levels for their executives, the Commission's specific responsibilities with respect to the issue of executive compensation are to provide information and analysis on:

1. The policies that guide the setting of compensation levels;

2. The levels set each year; and

3. The relationship between the compensation paid to California's public higher education executives and their national comparators.

Additionally, Commission staff participates in discussions about the appropriateness of the set of comparators for the California State University and University of Californi[illegible]. In discharging these responsibilities in the past, the Commission has focused its attention on the contribution that strong executive leadership makes to educational quality in California's public colleges and universities.

California Community Colleges

Compensation for executives in community college districts

Each of the 72 community college districts in California is responsible for setting the compensation of its executives. As such, the policies that guide the setting of compensation vary widely across the state as do the resultant compensation levels. Display 1 presents summary information for three types of executives in community college districts: (1) chancellors of multi-college districts; (2) campus presidents within multi-college districts; and (3) superintendents/presidents of single-college districts. In addition, this display provides information on changes in aggregate compensation levels over the last two years.

The trends presented on Display 1 indicate that the pattern of change since 2000-01 varies by executive type

DISPLAY 1 Compensation of Executives in Community College Districts, 2000-01 and 2001-02.

Type of Executive	2000-2001	2001-2002	Change
Chancellors of Multi-College Districts			
Number	20		
Number reporting		20	
Average Annual Salary	$164,818	$177,527	+ 7.7%
Lowest Salary	$122,100	$153,180	+25.5%
Highest Salary	$220,063	$238,223	+ 8.3%
Difference	$ 97,963	$ 85,043	- 13.2%
College Presidents in Multi-College Districts			
Number	56		
Number reporting		56	
Average Annual Salary	$124,910	$133,460	+6.8%
Lowest Salary	$ 89,000	$107,000	+20 %
Highest Salary	$167,284	$150,200	-10.2%
Difference	$ 78,284	$ 43,200	-44.8%
Superintendents/Presidents in Single-College Districts			
Number	52		
Number reporting		52	
Average Annual Salary	$137,924	$148,049	+7.3%
Lowest Salary	$108,000	$104,844	- 2.9%
Highest Salary	$211,586	$229,884	+8.6%
Difference	$103,586	$125,040	+20.7%

Among some of the findings from this year's survey include:

- Average compensation of chancellors of multi-college districts increased by 7.7% over last year; average compensation of presidents of campuses within multi-campus districts increased by 6.8%; and the average compensation for superintendents/presidents in single-college districts increased by 7.3%.

- The salary for the lowest paid chancellorial position increased by approximately 25.5% and the highest paid chancellorial salary increased

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by 8.3%. As a consequence, the difference between the highest paid chancellor and the lowest paid chancellor decreased by 13.2% since last year.

- For presidents in multi-college districts, the salary for the lowest paid president increased by 20% and that of the highest paid president decreased by 10.2%; as such, the difference between the salaries of the highest and lowest paid president in multi-college districts decreased by 44.8%.

- For superintendents/presidents in single college districts, the lowest salary decreased by 2.9% while the highest salary increased by 8.6%. The difference between the highest and lowest paid superintendent/president in single-college districts increased by 20.7%.

The figures in Display 1 include annual stipends paid to 18 chancellors, presidents, or superintendents at the community colleges. These stipends range from $1,125 to approximately $9,600. The average stipend amount is $2,756.

Compensation for systemwide executives

The Chancellor's Office of the California Community Colleges is a State agency operating under the rules, regulations, and procedures set by the Department of Personnel Administration, the State Personnel Board and the Department of Finance. Unlike its public higher education counterparts, the Board of Governors is restricted in its actions by the State rules, regulations, procedures, and processes in terms of its ability to establish compensation levels for its executive staff.

For the purpose of this report, the executives of the Community College Chancellor's Office include the following 11 positions: (1) Chancellor; (2) Executive Vice Chancellor; (3) Vice Chancellor, Administration and Fiscal Policy; (4) Vice Chancellor, Legal Affairs and Contracts; (5) Vice Chancellor, Human Resources; (6) Vice Chancellor, Educational Services and Economic Development; (7) Vice Chancellor, Policy, Planning, and External Affairs; (8) Vice Chancellor, Student Services and Special Programs; (9) Director, Internal Operations; (10) Director, College Facilities and Fiscal Affairs; and (11) Director, Fiscal Policy.

The salaries for executives in the Community College Chancellor's Office range from $92,208 to $176,652. These positions are comprised of a combination of civil service, exempt positions, and persons hired under interjurisdictional exchange agreements. The Chancellor's current salary is $176,652, an increase of $1,132 or 0.6% since the Commission's 2000-01 report. Additionally, the Executive Vice Chancellor currently earns $123,264, representing an increase of 1% over last year. The remaining Vice Chancellors earn between $51,207 to $103,680. The Director of College Facilities and Fiscal Affairs makes $92,208.

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Commission comments on salaries

As the Commission has discussed in the past, the basic principle underlying executive compensation among community college districts continues to be autonomy and flexibility. Each district makes a determination presumably based upon its financial condition, performance of the incumbent, local living costs, and board prerogatives. As Display 1 shows, this principle has resulted in a wide range of compensation differences within the community college system. However, this year, at least preliminarily data indicates a decrease in disparity in the salaries within two of the three classifications of executives. For both the Chancellors of multi-college districts as well as college presidents in multi-college districts, the differenced in salaries paid to the highest paid executive and the lowest paid executives have decreased significantly.

With respect to the Chancellor's Office, it continues to use a variety of personnel classifications among its executive staff with some State employees and others serving in their capacity through an Interjurisdictional Exchange. While this makes for a lack of clarity with respect to the various classifications and responsibilities of the executive staff, it does provide the Chancellor's Office with the ability to make use of the vast expertise of individuals who have served the system well at the campus level.

Benefits and perquisites for community college executives

As previously mentioned, the Chancellor's Office of the California Community Colleges is a State agency and as such, the executives of the Chancellor's Office receive the same health, welfare, and retirement benefits offered to all State employees.

However, because each of the 72 community college districts in California is responsible for setting the compensation of its executives, benefits vary for executives.

An examination of the monetary value of the perquisites offered at all 109 community college campuses and 72 districts was not feasible, given time and resource constraints. However, in an effort to better understand the perquisites offered to community college chancellors, presidents, and superintendents, the Chancellor's Office agreed to include questions about the perquisites offered and received in its annual salary survey. The results of this survey are as follows:

Fourteen campuses or districts indicated that they provide their president, chancellor, or superintendent with an automobile for business purposes. An additional 87 reported providing their executives with an automobile allowance. The average automobile allowance is $5,439 annually. No campuses or districts reported providing their executive with a driver.

No campus or district reported providing their executive with a home, although four indicated they provide an annual housing allowance. The average size housing allowance is $11,500 a year.

Forty-four campuses or districts provide their executives with an entertainment allowance. These allowances range from $500 to $24,000 on average $6,400.

Sixteen campuses or districts reported providing fee or tuition assistance. 36 received supplemental life insurance. 19 received supplemental medical insurance. Fifteen campuses or districts reported they provide tenure to their executives. nine provide additional paid leave, 30 provide opportunities for sabbatical. No campus or districts reported that they provide their executive with additional spousal benefits (other than the standard health and welfare benefits), and none reported providing low-income loans. One reported that it provides estate planning while none reported providing tax planning. Thirteen provide additional educational benefits for the executive, while three reported that they provide educational benefits for the dependents of the executive. Nine reported that they provide severance packages, 21 provide contributions to a 401 (k) plan, ten others provide deferred compensation benefits. Two provide retirement insurance and seven provide their executives with retirement planning.

Five campuses or districts reported benefits under the category "other" and valued these benefits at a range between $4,200 and $10,000.

California State University

Current policy on executive compensation

The California State University's policy on executive compensation calls for the State University to set its average compensation for campus presidents at approximately the average of presidential salaries at an established set of comparable institutions in the nation. Further, the policy recommends that the specific compensation for each president be based on the "mission, scope, size, complexity, and programs of each campus" and an appraisal of individual performance and experience as well as system and national policy leadership. Also considered are regional cost of living differentials and the need to maintain a competitive market position.

Merit assessments, according to stated criteria, are also used as well as recruitment and retention experience. These criteria include an assessment of the president's general administrative effectiveness, his or her working relations within the segments and with the campus, educational leadership and effectiveness, community relations, major achievements of the campus and the president, and other relevant personal characteristics.

Compensation for campus presidents

The average compensation level for the presidents of the State University's 23 campuses for the academic year 2001-02 is $212,897. All incumbent campus presidents received a salary adjustment in the current year of 2%.

Two California State University campuses experienced leadership changes in summer 2001. Dr. Richard Rush was appointed president effective June 2001 of California State University, Channel Islands. The

second change occurred at the California Maritime Academy where Dr. William Eisenhardt was appointed president effective July 2001.

The salary for the newly installed Channel Islands president was increased by 16% over that paid to the campus' former president. Likewise, the salary of the president at the California Maritime Academy was increased by 7.5% with the hiring of the new president. Executive recruitment takes place in a national market and competitive increases are necessary to recruit talented leaders. Even with these increases, salaries for these two new presidents, at $200,004 and $185,004, are less than the State University's average $212,897 presidential salary.

Excluding the two salary adjustments for the newly hired presidents, the overall increase in average salary was 2%, or $4,258. Including the salaries of the new presidents, the overall average salary rose by 2.7%, or $5,645. The total increase from 2000-01 in executive compensation for all 23 campus presidents was $129,840 for the 2001-02 fiscal year.

DISPLAY 2 Compensation for Presidents of 23 California State University Campuses, 2001-02.

	2000-01	2001-2002	Change
Average Annual Salary Increase (21 Incumbent Presidents)	$210,581	$214,839	+2.0%
Change in Average Annual Salary* (All 23 Campus Presidents)	$207,251	$212,897	+2.7%
Lowest Salary	$172,044	$185,004	+7.5%
Highest Salary	$244,356	$249,252	+2.0%
Differences between Highest/lowest salaries	$ 72,312	$ 64,248	-11.2%

**Average annual salary reflects the 2 % increase of all incumbent presidents as well as the change in salary levels made at the time of hiring two new campus presidents.*

Salary comparisons between the State University and similar institutions nationally

As indicated above, the California State University's policy stipulates that its average presidential salary should be set at approximately the mean of comparison institutions nationally. For several years, the State University and the Commission have agreed upon a set of 20 institutions that serve as the State University's comparators for the purpose of gauging the extent to which its salaries are similar to those of institutions with which it competes for executives. These institutions are the same as those used in the Commission's annual Faculty Salaries report, and were determined through an extensive consultative process that involved representatives from the California State University, the University of California, the Department of Finance, and Legislative Analyst's Office

Display 3 lists the 20 comparison institutions used for California State University. Five comparators are independent institutions. The remaining 15 are public universities.

DISPLAY 3 List of Comparison Institutions for California State University

Arizona State University
Bucknell University
Cleveland State University
University of Colorado
University of Connecticut
George Mason University
Georgia State University
Illinois State University
Loyola University of Chicago
University of Maryland
University of Nevada
North Carolina State University
Reed College
Rutgers State University
State University of New York
University of Southern California
University of Texas at Arlington
Tufts University
Wayne State University
University of Wisconsin

A private consulting firm gathered information on the compensation of the chief executive officers at the 20 comparison institutions for the 2001-02 Academic Year.

The chief executive officers of the comparators will earn an average of $257,908 in this academic year; the corresponding figure for the 23 State University presidents is $212,897. No State University presidential salaries exceed the mean of the comparators. Last year, three State University presidential salaries exceeded the mean.

Lag in salaries at the presidential level

The differences in the average salary paid to California State University presidents and that paid to executives at their comparison institutions results in a current salary lag of 21.1%, and represents a significant one-year increase when last year's lag was down to 9.8%. In fact, this increase in the salary lag for California State University presidents represents the largest one-year increase since 1993-94. The salary level for all 23 president ranges from 3.5% to 39.4%.

In the mid 1990's, the Commission's executive compensation reports revealed a growing gap in the salaries of the presidents of the California State University campuses and those of presidents of their national comparison institutions. The lag between the average salary of State Univer-

sity presidents and its national comparators over the past nine years is presented in Display 4. In 1994-95, the salary lag doubled from 11.1% to 22.5% and continued to rise to 31.9% in 1995-96.

DISPLAY 4 Average Compensation for California State University Presidents and their National Comparators, 1993-94 to 2001-02

	National Comparators	California State University	Salary Lag
1993-94	$144,908	$130,462	-11.1%
1994-95	$162,728	$132,796	-22.5%
1995-96	$179,180	$135,870	-31.9%
1996-97	$184,415	$141,865	-30.0%
1997-98	$191,426	$155,360	-23.2%
1998-99	$200,684	$174,412	-15.1%
1999-00	$214,811	$197,206	- 8.9%
2000-01	$227,678	$207,251	- 9.8%
2001-02	$257,908	$212,897	-21.1%
9 Year Average	78.0%	63.2%	

As discussed extensively in previous reports, during the mid to late 1990's, the Board of Trustees embarked on a deliberate, if ambitious, plan to reduce the significant lag of California State University presidential salaries. The Trustees approved three consecutive pay raises that averaged 10%, 12%, and 13% in 1997, 1998, and 1999, respectively. Ultimately, these raises contributed to reducing the salary lag to 8.9% in 1999-2000.

As evidenced in Display 4, the lag more than doubled in the past year to 21.1%. In the past year alone, the salary level for the State University's national comparators grew at nearly five times the rate of the salaries at the State University, providing some perspective on the nature of the national market conditions for executives at comparable institutions at the present time.

Compensation for systemwide executives

There are six positions that constitute the executive staff at the Chancellor's Office of the California State University. They are: (1) the Chancellor; (2) the Executive Vice Chancellor and Chief Academic Officer; (3) the Executive Vice Chancellor and Chief Financial Officer; (4) the Vice Chancellor, University Advancement; (5) the Vice Chancellor, Human Resources; and (6) General Counsel.

Five of the six individuals in these positions received a 2% raise over the past year, including the Chancellor who now receives $311,448 annually. The Executive Vice Chancellor and Chief Academic Officer as well as the Executive Vice Chancellor and Chief Financial Officer currently re-

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ceive $235,200 annually. The salaries for the Vice Chancellor for Human Resources and the General Counsel were raised to $206,052 and $192,432 respectively. The position of Vice Chancellor for University Advancement was filled, effective June 20, 2001. The salary for that position is currently $210,000.

Non-salary perquisites for campus presidents and for executives

In the 2000-01 Executive Compensation study, the Commission included additional information about the number and type of perquisites offered by California State University and their national comparison institutions. For 2001-02, the Commission staff has incorporated additional information about the approximate value of the perquisites offered to executives in both the California State University and University of California.

The benefits package for California State University executives varies slightly from other management within the system. State University executives receive the same general health, welfare, long-term disability, and retirement employee benefits packages as other management within the system with the exception of an enhanced life insurance program of $250,000 and an annual physical examination.

In addition to their base salaries, all presidents receive assistance with housing. Ten presidents live in houses provided and maintained by the State University; the other 13 presidents receive an annual housing allowance ranging from $23,004 to $36,804, depending on cost-of-living differentials -- with the highest allowances provided for presidents located in the high priced markets of San Francisco Bay area, San Jose, and Sonoma. No increases were made to the housing allowance over the past year. Further, campus presidents have access to either a State-owned automobile for business purposes or are provided an automobile allowance of $750 per month in lieu of a university vehicle to support university related business travel requirements. In addition, presidents are reimbursed for entertainment expenses incurred as part of University-related activities in accordance with the system's rules and regulations.

With respect to systemwide executives, in addition to a base salary, the Chancellor lives in University-provided housing. Automobile allowances or use of State-owned vehicles for University business are part of the compensation package for the systemwide executives. Finally, executives are reimbursed for entertainment expenses incurred in conjunction with University-related activities in accordance with the system's rules and regulations.

In addition, the California State University provides its executives with a variety of other benefits. Among those benefits included are paid time benefits such as vacation, sick leave, and holidays, industrial and non-industrial disability, workers compensation, unemployment insurance, and a limited fee waiver program. (Appendix A includes a description of all benefits offered by the California State University system to its executives.)

Non-salary perquisites for comparison institutions

Upon the request of the Commission, the State University included supplemental questions on its annual salary survey, conducted by a consulting firm, regarding the perquisites offered at its comparison institutions. While executive pay data was obtained on all 20 of the comparison institutions additional information on the value of the perquisites offered to its executives was obtained from 11 of the 20 comparison institutions. From this information, the consulting firm concluded that the perquisites provided to State University presidents are competitive relative to the comparator group. The consulting group divided the perquisites into three categories and reached the following conclusions about each of the three categories:

1. **General Perquisites**: The perquisites provided to California State University presidents are competitive relative to the comparator group. With the exception of an employment contract, California State University presidents receive an automobile or auto allowance, house/housing allowance, and entertainment funds, all of which are provided by more than 50% of the comparison institutions.

2. **Health and Group Benefits**: The health and group benefits provided to State University presidents are competitive relative to the comparator group. Besides supplemental medical, State University presidents receive all the surveyed health and group benefits. Only one of the reporting institutions provides supplemental medical benefits. The State University provides perquisites such as employee paid voluntary Accidental Death and Dismemberment (AD&D) insurance and spouse life insurance and employer paid vision plan and physical exam that are offered by less than 50% of the participating institutions.

3. **Retirement and Post-Retirement Benefits** -- The retirement and post-retirement benefits provided to the State University presidents are competitive relative to the comparator group. Except for a defined contribution retirement plan and a retiree life insurance plan, State University presidents receive all the benefits that are provided by more than 50% of the participating institutions.

With respect to the prevalence of some of the specific benefits offered the survey found the following: nine out of 11 institutions provided either a house or a housing allowance; nine out of 11 institutions provided an automobile or auto allowance. Four out of nine institutions provide educational assistance to either the president or his or her dependents, two out of 10 institutions provided educational reimbursement; three out of 10 institutions provided an educational fee waiver; eight out of 11 provide employment contracts, and two out of 10 institutions provide spousal benefits (usually travel, car, catering, and use of campus facilities and equipment). Three out of 10 institutions provide severance packages. Some institutions also said that they offer low interest personal loans, as well educational assistance but that none of their presidents are utilizing the available perquisites.

The consulting firm also examined the value or criteria of certain benefits and compared them to the comparison institutions. (Appendix B includes summary charts of their findings.)

University of California

Current policy on executive compensation

Since the significant changes in the University of California's policy on executive compensation in the early 1990s, the policy has remained constant. Specifically, this policy calls for the Board of Regents to set the average compensation level for chancellors at the mean of its national comparators, with the actual level paid to each chancellor a function of "the scope, size, complexity, and quality of each campus" as well as the performance and experience of the incumbent. This policy is expected to both "maintain a competitive market position and recognize individual performance." A hallmark of the policy is the establishment of an internal alignment among and between the set of chancellor positions and executives in the systemwide office.

One new incentive compensation program, the Treasurer's Office Annual Incentive Plan was presented to the Regents in January 2002 and approved by the Regents at its March 2002 meeting. It will be formally established and implemented in fiscal year 2002-2003.

Compensation for University chancellors

Display 5 presents information on the aggregate changes in compensation levels over the last two years for the chancellorial positions in the University. Effective October 1, 2001, the University of California Board of Regents approved an average 2.0% merit salary adjustment for ten chancellors. These October 1, salary adjustments increased the University average to $286,210.

DISPLAY 5 Compensation for Chancellors at the University of California, 2000-01 and 2001-2002

	October 2000	October 2001	Change
Lowest Salary	$245,000	$249,900	+2.0%
Highest Salary (excluding UCSF)*	$304,800	$310,900	+2.0%
Difference between Highest/lowest salaries	$59,800	$ 61,000	+2.0%
Average Annual Salary (includes San Francisco)	$280,610	$286,210	+2.0%
Average Annual Salary* (excludes San Francisco)	$273,267	$278,722	+2.0%

*Of the nine general campuses only. Excludes the Chancellor of the University of California, San Francisco because of the uniqueness of the campus.

A new chancellor was named at the University of California Riverside, effective July 1, 2002. No other changes in chancellorships were made since last year's report.

In addition, with respect to some (49) senior administrators that the University deems significantly out of alignment with the University salary structure or under-market, such as deans of engineering and other top academic leaders, salary increase beyond the 2% merit raises were approved but deferred at the University of California's Office of the President's discretion until such time as he deems appropriate given current economic conditions and budgetary constraints and in light of individual retention and equity considerations. As of mid May 2002, two deferred equity increases were implemented as a result of outside employment offers received. The president authorized release of these increases to retain these senior managers.

Salary comparisons between the University and similar institutions nationally

As with the State University, the executive compensation policy calls for the University of California to set its average chancellorial salary at the mean of its national comparators. The University has two sets for national comparators: (1) the All-University set of 26 university campuses or systemwide offices, and (2) its Comparison Eight Faculty Salary Set. Display 6 lists the institutions of higher education that comprise both the All-University Set of 26 campuses or systemwide offices, and the Comparison Eight Faculty Salary Set.

DISPLAY 6 Institutions Comprising the All University Set of Comparison Institutions and the Comparison Eight (in italics) institutions for the University of California

Brown University
California Institute of Technology
University of Chicago
University of Colorado
Colorado, Boulder
Columbia University
Cornell University
Harvard University
University of Illinois, Chicago
University of Illinois, Urbana
Johns Hopkins University
Massachusetts Institute of Technology
Northwestern University
University of Michigan
University of Minnesota (system)
University of Minnesota (Duluth)
University of Minnesota (Twin Cities)
Northwestern University
University of Pennsylvania
Stanford University
State University of New York (Buffalo)
State University of New York (Stony Brook)
University of Texas
University of Virginia
University of Washington
University of Wisconsin
Yale University

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The All-University Set: Of the 26 university campuses or systemwide offices for which data were obtained, 14 are in public universities and 12 are in independent universities. Display 6 provides the list of the institutions in the all university set of 26 institutions. A private consulting firm analyzed information from all comparison institutions with the exception of three universities that declined participation this year. The salary data provided by these institutions in the most recent year were used and assumptions were made about current salary levels. One institution declined participation for the fourth year in a row and as a result was excluded from this year's analysis.

The salary adjustments that became effective for the 10 University of California chancellors as of October 1, 2001, result in a current average salary of $286,210 as contrasted with the average salaries at their comparison institutions as of July 1, 2001, of $354,730. As a result, the lag between the University chancellors and their comparators is 23.9%. However, when the salary of the Chancellor of the University of California San Francisco health science campus is excluded, the average salary of the nine University chancellors falls to $278,722, and the lag is 27.3%. This year, for the first time, the salary of the San Francisco Chancellor fell below the average of the all-University set.

Eight Faculty Salary Set: The University compares less favorably to the Comparison Eight Faculty Salary Set than the All-University Set. The comparison faculty salary set of eight institutions is evenly divided between public and independent institutions. The average salary of the presidents/chancellors at these institutions is $373,164. As a result, when the San Francisco campus is included, the lag between the faculty salary set of comparators and the University of California is 30.4%. Excluding the San Francisco campus, the lag increases to 33.9%.

Caveat about these comparisons: The comparisons between both the All-University set and the Eight Faculty Salary Set of institutions presented above possibly underestimates the lag that exists currently with respect to salaries for the chancellors of the University of California. The figures used to compute the gap are taken from two different points in time: the University of California salaries reflect upward adjustments made as of October 1, 2001; figures for the comparators were effective as of July 1, 2001 and do not reflect any possible adjustments that were made after that point in time. As such, the differences in salary setting schedules between the University and some of its comparators may, to some extent, minimize the magnitude of the gap.

Commission comments about the lag

Display 7 presents the trend in compensation paid to the University of California's campus chancellors and their national comparators over the last nine years. Over that period the average compensation increased by approximately 64.4%, while the salary levels for the University chancellors increased by 53.2%. The salary lag in 1993-94 was 18.6%. In 1997-98, the gap had reached a high of 24.4% -- a trend that the Commission

concluded in previous reports was alarming and potentially detrimental to the University's ability to compete nationally for its executive leadership. However, the actions taken by the Board of Regents to provide both merit salary increases as well as market based equity adjustments in 1998-99 and for the 1999-2000 year reduced the lag by approximately one-half. Despite increases in salaries for 2000-01 and 2001-02, the lag has increased for the second year in a row and is now at a nine-year high of 27.3%.

DISPLAY 7 Average Compensation for University of California Chancellors at the General Campuses and Their National Comparators, 1993-94 to 2001-2002

	All University Set[1]	University of California (excludes UCSF)[2]	Salary Lag
1993-94	$215,765	$181,950	-18.6%
1994-95	$202,580	$181,413	-11.7%
1995-96	$214,546	$189,300	-13.3%
1996-97	$214,209	$199,413	- 7.4%
1997-98	$257,791	$207,238	-24.4%
1998-99	$284,116	$244,363	-16.3%
1999-00[3]	$296,204	$263,333	-12.5%
2000-01	$323,030	$273,267	-18.2%
2001-02	$354,730	$278,722	-27.3%
9-year % increase	64.4%	53.2 %	

1. Figures as of July 1 of each year.
2. Figures for 1993-96 are reflective of salary levels taken at different points during the year. 1997-2002 figures are as of October 1.
3. Figures for 1999-2000 and beyond include the salary for the Chancellor of the University of California, Merced.

Compensation for systemwide executives

As has been noted in earlier reports, the University of California policy calls for the salaries for executive positions at the systemwide offices to be aligned in a specific manner with those of the chancellors for the various campuses. Effective, October 1, 2001, eligible University senior managers received merit increases averaging 2%. Unlike in recent years, no equity adjustments were provided to systemwide executives for 2001-02.

The salary of the President of the University of California is $356,100 effective October 1, 2001. This represents an increase of 2% over last year. (As market-based equity increase planned for the senior vice president of University and External Relations was deferred.)

The annual base salary for the Senior Vice President Business and Finance is now $287,600. The salary for the Provost and Senior Vice President of Academic Affairs is $277,400, and for the Sr. Vice President of University and External Relations the salary is $239,700. All of these executives received a 2% raise for 2001-02.

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Five of the six vice presidents earn an annual salary base ranging between $204,000 and $295,000. These salary levels represent an average annual increase of 2%. Because of the uniqueness of the position, the Vice President for Clinical Services Development earns considerably more than the other vice presidents at an annual base salary of $389,200, but did not receive an increase this year. In addition, this individual is eligible for additional non-base building incentive pay of up to $75,000 annually. A new position, Vice President for Laboratory Management, was added this year as part of an agreement between reached with the U.S. Department of Energy. This individual earns a salary of $300,000.

The 22 Associate or Assistant Vice Presidents earn between $123,600 and $214,000 with an average salary of $161,718. The average salary increase for these positions for 2001-02 was 2.6%.

Non-salary perquisites offered to executives at the University of California

The University of California senior managers receive the same general benefits package as all employees with the addition of an enhanced life insurance program, additional business travel accident insurance, and in some cases, a severance pay plan.

In addition to a base salary, University chancellors live in University-provided housing as does the University of California President. Additionally, University-leased vehicles or an automobile allowance of $8,916 are provided to chancellors for his or her use on campus business.

Further, University executives receive reimbursements for expenses incurred in conjunction with University business through procedures consistent with University Administrative Fund guidelines. (Appendix C describes all of the benefits offered to the University of California senior managers and the approximate cost incurred by the University in providing the benefits.)

Non-salary perquisites for comparison institutions

The University of California did not survey its comparison institutions about the value of perquisites offered to their executives. The University cited a number of reasons for their decision including the high cost and inconclusive result of the total compensation survey of the Comparison Eight institutions done in 1998, the estimated cost of $100,000 to add a supplemental survey, the declining response to the University of California annual salary survey, and the time and staff resources that would be expended without a guaranty of satisfactory participation and results.

In addition, the University cited other similar efforts to obtain perquisite information that have yielded limited results. Further, they noted that discussions with some of their comparison institutions (including the Comparison Eight and several public and private institutions) indicated that these institutions would likely choose not to provide the information if requested.

As a result, this report contains no information about the value of perquisites offered at University of California's national comparison institutions. (Appendix C includes information about the value of perquisites offered to executives of the University of California.)

Appendix A

California State University
Executive Benefits Program
April 2002

CSU executives receive the same general benefits package as management and faculty employees, with the exception of an enhanced life insurance program, an annual physical examination and a retirement benefit for the Chancellor and Executive Vice Chancellor/Chief Academic Officer, which offsets reduced PERS benefits as a result of IRS limitations on retirement compensation.

Health Care Benefits

Medical Benefits
The CSU provides executives and eligible dependents a selection of various medical insurance programs through the Public Employees' Retirement System (PERS). Monthly medical premium costs are shared between the CSU and the employee. CSU's monthly contribution ranges from $216 for one-party, to $411 for two-party to $525 for two or more. The actual CSU paid contribution depends on coverage and party selected, but the average executive monthly CSU contribution is $411.

Dental Benefits
The CSU provides executives and eligible dependents dental program options that include a fee for service plan or a prepaid plan where dentists are selected from an approved list. The CSU pays the full monthly cost of the program which is $38.67 per month for one-party, $72.94 for two-party and $142.52 for two or more. The actual CSU paid contribution depends on coverage and party selected, but the average executive monthly contribution is $72.94.

Vision Benefits
The CSU provides executives and eligible dependents a vision care program and the CSU currently pays the $9.63 monthly program cost.

Death Benefits

Life Insurance Benefits
The CSU provides executives $250,000 in life insurance coverage and an additional $250,000 in accidental death and dismemberment coverage at a monthly premium of $52.25. Employer paid life insurance in excess of $50,000 results in imputed income to the executive; therefore, the option to waive excess coverage is provided.

Income Protection Benefits

Non-Industrial Disability (NDI)
NDI provides minimal coverage if an executive is unable to work due to a non-work related injury or illness. This CSU paid program provides a benefit of $250 per week for up to 26 weeks of disability. Coverage is effective at time of appointment. This minimal benefit is provided in lieu of regular salary so it does not accrue an additional expense to the university.

Industrial Disability Insurance (IDL)
IDL provides disability benefits if an executive is unable to work due to a work-related injury or illness. IDL is fully paid by the CSU and provides full pay for the first 22 days of disability and 2/3 pay for the next 11 months of disability. This benefit is provided in lieu of regular salary so it does not accrue an additional expense to the university.

Long Term Disability (LTD)
LTD is an income protection program that provides benefits after 180 days of continuous disability. LTD is provided to supplement IDL, Social Security disability, retirement system payments or any other group disability plan payments. If disability criteria were to be met, the executive would receive 66 2/3 percent of pay up to a maximum of $15,000 per month, until age 65. The monthly premium cost is $21.00.

Retirement Income Programs

Public Employees' Retirement System (PERS)
Executives are provided PERS, a defined benefit retirement plan with retirement benefits calculated based on age at retirement, years of service and compensation. The executive contributes 5% of gross monthly salary in excess of $513 per month. The CSU employer contribution for fiscal year 2001/02 is 4.166% of compensation up to $170,000 (401(a)(17) limit). Employer contributions are set actuarially each year.

In accord with Internal Revenue Code 401(a) (17), for executives hired after 7/1/96 who have not previously participated in PERS, a "cap" that the IRS may adjust annually limits PERS covered compensation. As noted in the CSU's previous report on executive compensation, the university is concerned about this retirement benefit limit that impacts newly hired executives as it may impact negatively executive recruitments. The federal indexed limit increased to $200,000 effective January 1, 2002 but since state tax conformity is still pending, PERS currently is following the $170,000 2001 limit. Executives currently affected by this IRC limit are the chancellor, the executive vice chancellor/chief academic officer, the vice chancellors of human resources and university advancement current presidents at San Bernardino, Dominguez Hills, and the California Maritime Academy and the incoming Humboldt president. For Chancellor Reed and Executive Vice Chancellor Spence, annuity plans funded through the foundation are provided to help "offset" the lost PERS benefits. The offset plans provide quarterly contributions of $7,500 and $2,500, respectively. PERS has advised the university it currently has no plans to develop a replacement benefits plan to offset the 401(a)(17) limit.

Retirement Savings Program
Executives can elect to participate in a 403(b) defined contribution plan through voluntary employee pre-tax payroll deductions. Numerous investment providers are available. Executives can also participate in a Deferred Compensation 457 Plan and/or a 401(k) Plan, administered by the California Department of Personnel Administration Savings Plus Program. These plans are funded by employee contributions only and contribution limits are in accordance with IRS and state regulations.

Social Security and Medicare
Executives pay Social Security (SS) and Medicare taxes and the 2002 withholding rates for both the university and the executive are as follows: (1) Maximum SS Taxable Earnings: $84,900.00 / Tax Withheld: $5,263.80 / Earnings Percent: 6.2%; and (2) Maximum Medicare Taxable Earnings: No limit / Earnings Percent: 1.45%.

Additional Benefit Programs

Dependent Care Reimbursement Plan
This program enables executives to set aside employee pretax dollars to pay for certain dependent day care expenses.

Health Care Reimbursement Account Plan
This program enables executives to set aside employee pretax dollars to pay for out-of-pocket health care expenses.

FlexCash
This program provides an executive who has non-CSU medical and/or dental coverage. the option to elect a cash payment each month in exchange for waiving the CSU medical and/or dental insurance.

Employee and Dependent Fee Waiver and Reduction Program
A special fee waiver program is available to an executive where up to two courses or 6 units may be waived per term. The executive may transfer the fee waiver benefit to a spouse or dependent child.

PreTax Parking Program
This program enables executives to pay for CSU parking expenses with employee pretax dollars.

Time Off Benefits

Time-off benefits are provided in lieu of regular salary so they do not accrue an additional expense to the university.

Sick Leave
Executives accrue 8 hours of sick leave each month to an unlimited maximum. At retirement, unused sick leave can be converted to retirement credit as defined in PERS regulations.

Vacation
Executives earn two vacation days (16 hours) per month from date of hire. Vacation may be accrued up to a maximum of 480 hours.

Holidays
Fourteen paid holidays are available each year. Thirteen of the holidays are scheduled and one holiday is available for personal use during the calendar year.

Maternity/Paternity/Adoption Leave
The CSU provides executives with twenty days of paid leave, commencing with the arrival of a new child. This leave applies to the birth of an employee's own child or the placement of a child with the employee in connection with adoption or foster care.

Special Executive Benefits

Trustee policy recognizes the extensive business-related, public relations and institutional development obligations of executives and provides special executive perquisites in recognition of these obligations.

Housing and Housing Allowances
CSU presidents are provided an official CSU residence where available. If an official residence is not available, a housing allowance is provided to assist the campus president in securing and maintaining a residence suitable for performing university-related functions. Housing allowances vary by campus and range from $23,004 to $36,804 per year and are taxable income to the recipient. The Chancellor is provided a university residence. Housing benefits are not available to executive vice chancellors or vice chancellors.

Automobile and Automobile Allowances
CSU presidents have a vehicle available for business use. In lieu of a university vehicle, presidents have the option of electing a taxable automobile allowance of $750 per month. Automobile allowances may be available to executives occupying executive vice chancellor and vice chancellor positions. The Chancellor has a university vehicle for business use.

Executive Physical Examinations
The CSU pays up to $700 per year towards an annual physical examination.

Entertainment Allowance

Presidents may receive an entertainment allowance of $300 per month from the state's General Fund to defray entertainment costs incurred in the course of conducting official business and institutional development activities. Campus foundations may supplement General Fund entertainment allowances. Funds are also provided from the State General Fund for community relations' expenses.

Community Memberships

The Education Code and Title 5 of the California Code of Regulations permit the use of general fund money for community relations' activities. These activities may include membership and participation in community group activities, including service clubs and community wide organizations of leading citizens in education, business, government, industry and agriculture, with which a president would collaborate in order that the campus may properly serve the needs of the community. However, notwithstanding permitting regulations, use of general fund money for community memberships is infrequent and limited.

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Appendix B

- The following chart illustrates the annual employer cost or value of the various benefits provided by the institutions:

	VALUE OF BENEFITS						
	HOUSING EMPLOYER COST	AUTO EMPLOYER COST	ENTERTAINMENT FUND VALUE	CLUB MEMBERSHIP VALUE	EDUCATIONAL ASSISTANCE VALUE	EDUCATIONAL FEE WAIVER VALUE	SEVERANCE PAY VALUE
75th Percentile	$53,982	$10,244	ISD	$8,614	ISD	ISD	ISD
Median	**$33,047**	**$8,450**	**ISD**	**$1,395**	**ISD**	**ISD**	**$225,000**
Average	**$34,034**	**$10,192**	**$23,750**	**$8,296**	**$10,058**	**$2,224**	**$287,967**
25th Percentile	$8,525	$8,399	ISD	$1,078	ISD	ISD	ISD
Cases	6	4	2	4	2	2	3
CSU Average	**$29,000**	**$9,000**	**$3,600**	**n/a**	**n/a**	**up to 6 units of coursework**	**$158,708**

ISD = Insufficient Data

Note: Mercer reported only average data if less than two responses were received. If three responses were received, the median and average are displayed. If more than three responses were received, the average and percentile data are displayed.

- The following chart illustrates the annual employer cost, coverage, and premiums for the various health and insurance benefits offered by the participants:

DETAILS OF BENEFITS						
	MEDICAL PLAN		DENTAL PLAN		VISION PLAN	
	EMPLOYER COST	EMPLOYEE PREMIUM	EMPLOYER COST	EMPLOYEE PREMIUM	EMPLOYER COST	EMPLOYEE PREMIUM
75th Percentile	$5,509	$1,290	$132	$513	ISD	ISD
Median	**$2,797**	**$1,147**	**$0**	**$242**	**ISD**	**ISD**
Average	**$3,007**	**$2,057**	**$132**	**$271**	**$0**	**$67**
25th Percentile	$296	$1,040	$0	$0	ISD	ISD
Cases	4	5	4	4	2	2
CSU Average	**$4,584**	**$1,388**	**$874**	**$0**	**$119**	**$0**

	BASIC TERM LIFE INSURANCE		SPOUSE LIFE INSURANCE		BASIC AD&D INSURANCE	
	MAXIMUM COVERAGE	EMPLOYER COST	MAXIMUM COVERAGE	EMPLOYER COST	MAXIMUM COVERAGE	EMPLOYER COST
75th Percentile	$518,971	$237	ISD	ISD	ISD	ISD
Median	**$324,500**	**$84**	**ISD**	**ISD**	**$25,000**	**ISD**
Average	**$418,110**	**$194**	**$17,500**	**ISD**	**$95,000**	**$0**
25th Percentile	$76,250	$41	ISD	ISD	ISD	ISD
Cases	8	4	2	1	3	2
CSU Average	**$150,000[1]**	**$352[1]**	**n/a[2]**	**$0[2]**	**$150,000[3]**	**$34**

[1] For 2001, cost is $0.19/$1000 of insurance per month. For 2002, the maximum coverage is $250,000. The employer cost for $250,000 is $588.

[2] For spouse life insurance, CSU provides Presidents with a voluntary program that is not employer-funded.

[3] Maximum coverage for basic AD&D insurance is $250,000 effective 1/1/2002.

- The following chart illustrates the employer cost, percentage income replacement and number of days for various disability and leave benefits offered by the participants:

DETAILS OF BENEFITS				
	SHORT-TERM DISABILITY		LONG-TERM DISABILITY	
	% INCOME REPLACEMENT	EMPLOYER COST	% INCOME REPLACEMENT	EMPLOYER COST [1]
75th Percentile	100%	$33	60%	$524
Median	**100%**	**$0**	**60%**	**$370**
Average	**91%**	**$33**	**57%**	**$4,365**
25th Percentile	91%	$0	60%	$0
Cases	4	4	5	5
CSU Average	**n/a[2]**	**n/a**	**67%**	**$252**

	LEAVE BENEFITS			
	ANNUAL VACATION DAYS	ANNUAL SICK DAYS	ANNUAL HOLIDAY DAYS	PERSONAL DAY
75th Percentile	25	12	12	ISD
Median	**22**	**12**	**12**	**ISD**
Average	**23**	**12**	**11**	**3**
25th Percentile	21	12	10	ISD
Cases	11	7	11	2
CSU Average	**24**	**12**	**13**	**1**

[1] The data for the employer cost of long-term disability is skewed by an outlier, resulting in a higher average.
[2] Limited to non-industrial disability insurance (NDI) of $250 per week.

- The following chart illustrates the annual employer contribution, President's contribution, retirement age and employer match of retirement benefits provided by the employer:

DETAILS OF BENEFITS							
	DEFINED BENEFIT PLAN			DEFINED CONTRIBUTION PLAN		VOLUNTARY SAVINGS/PRE-TAX	
	EMPLOYER CONTRIBUTION	RETIREMENT AGE	PRESIDENT CONTRIBUTION	MAX CONTRIB BY PRESIDENT	EMPLOYER CONTRIBUTION	EMPLOYER CONTRIBUTION	EMPLOYER MATCH
75th Percentile	ISD	ISD	ISD	ISD	ISD	$0	ISD
Median	$25,738	ISD	ISD	5%	$0	$0	0%
Average	$31,090	61	6%	5%	$5,667	$0	0%
25th Percentile	ISD	ISD	ISD	ISD	ISD	$0	ISD
Cases	3	2	2	3	3	4	3
CSU Average	$8,869	63	5% in excess of $513/mo. to an annual max of $170,000[1] or $8,192	n/a	n/a	$0	0%

[1] Annual maximum increased to $200,000 on January 1, 2002.

- The following chart illustrates the employer-paid percentage of post-retirement benefits provided by the employer:

DETAILS OF BENEFITS		
	RETIREE MEDICAL	
	EMPLOYER PAID PERCENTAGE (AGE PRE-65)	EMPLOYER PAID PERCENTAGE (AGE POST-65)
75th Percentile	ISD	ISD
Median	**50%**	**75%**
Average	**44%**	**53%**
25th Percentile	ISD	ISD
Cases	3	3
CSU Average	**n/a**[1]	**n/a**[1]

[1] $382 per month based on the government code.

Note: Details were not provided if insufficient responses were received.

Appendix C

University of California
Benefits Program
May 2002

University of California Senior Managers receive the same general benefits package as all employees, with the exception of an enhanced life insurance program, additional business travel accident insurance and (in the case of Senior Managers who do not hold tenured faculty appointments) a severance pay plan. The total average University contribution for Chancellors, including health and welfare benefits, retirement cost, severance pay plan, and automobile allowance is approximately $71,804, or 25.09% of the average Chancellor salary of $286,210. The benefits and their costs are described below.

Health/Welfare Benefits

Medical Benefits

The University of California offers its employees and eligible dependents a selection of eleven medical insurance programs. Monthly medical premium costs are shared between UC and the employee. The University's monthly contribution ranges from $176 - $190 for one-party, $370 - $437 for two-party, and $475 - $563 for three or more. The actual UC-paid contribution depends on the healthcare provider and party selected. The average Senior Manager monthly UC contribution is $403.

Four of the ten current Chancellors were hired after January 1, 1990 and currently are eligible to receive only a percentage of UC's maximum contribution toward the medical and dental plan coverage when they retire. Six of the Chancellors will be eligible for the full University contribution to the annuitant health coverage.

Dental Benefits

The University of California provides its employees and eligible dependents dental program options that include a fee for service plan or a prepaid plan, where dentists are selected from an approved list. The university pays the full monthly cost of the program, which ranges from $16 - $32 for one party, $28 - $59 for two-party, and $36 - $103 for three or more. The actual UC-paid contribution depends on the type of coverage and party selected. The average Senior Manager monthly UC contribution is $65.

Vision Benefits

The University of California offers a vision care program for all employees and eligible dependents. The university pays the full monthly cost of the program, which is $12.27.

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Legal Benefits

The University of California provides all employees and eligible dependents a prepaid legal expense insurance plan. The employee pays the full monthly cost of the program which ranges from $7 for one-party to $10 for two-party or more participants.

Business Travel Accident Benefits

The University of California offers Senior Managers $250,000 (compared to $100,000 for other employees) in business travel accident insurance coverage while traveling on official UC business or while engaged in designated hazardous activities on behalf of the university. The actual systemwide UC-paid annual contribution is $128,000 (divided by total number of FTEs the contribution equals $.87 per employee per year).

Basic Life Benefits

The University of California provides all eligible employees with a one-time $50,000 University-provided life insurance. The actual UC-paid contribution is $4.82 per month.

In addition to the $50,000 UC-provided life insurance, Senior Managers are eligible for UC-paid Senior Management Life insurance. The coverage amount is two times the Senior Manager's annual salary up to a maximum of $800,000. Each year's coverage amount is based on the Senior Manager's salary rate in effect on January 1 of that year, or if newly hired, the date the employee is appointed to the Senior Management Group. Based on the member's age as of December 31, the estimated annual "imputed income" is calculated by assuming a combined federal and state marginal income tax rate of 39% plus 1.45% Medicare. The University uses the IRS "Special Accounting Rule for Benefits" and reports imputed income on a November 1 to October 31 fiscal year basis. The actual UC-paid contribution is included in the $4.82 per month premium for all eligible employees of the basic life insurance coverage.

Supplemental Life Insurance

The University of California offers all eligible employees a Supplemental Basic Life Insurance plan. This plan is employee-paid and the employee has the option to choose coverage in the amounts of $20,000, one-time annual salary up to $250,000, two-times annual salary up to $500,000, three-times annual salary up to $750,000 or four-times annual salary up to $1,000,000. The cost of Supplemental Basic Life Insurance depends on the employee's age and the amount of coverage purchased.

Income Protection Benefits

Short-Term Disability Plan

The University of California provides all eligible employees a short-term disability plan. The university pays the full monthly cost of the program, which is $6.13. The plan pays 55% of the

employee's monthly salary, to a maximum of $800 per month up to six months, in the event of a non work-related disability.

Supplemental Disability Plan

The University of California also offers to eligible employees an employee-paid supplemental disability plan, which provides partial income replacement. The plan pays 70% of the employee's monthly salary up to $10,000, for up to 12 months of temporary disability. This plan also provides long-term disability coverage if the employee is still disabled after 12 months. The employee has the option to choose a 7-, 30-, 90-, or 180-day waiting period for this plan.

Work-Incurred Disability

In lieu of receiving the extended sick leave benefit for work-incurred disability, a disabled Senior Manager may instead, and at the Senior Manager's option, participate in the Non-Work-Incurred provision.

Senior Management Disability

After five years of service as a Senior Manager (including equivalent service as a Department of Energy-sponsored Laboratory Director, Deputy Director or equivalent Associate Director, and service as a member of the Executive Program prior to July 1, 1996), a full-time, permanently-appointed Senior Manager who becomes totally and permanently unable to perform the duties of his/her position because of ill health or other medical incapacity is entitled to his/her full salary during any continuing period of such disability up to twelve months. If the disabled Senior Manager is receiving disability payments under the California Workers' Compensation Act, both the amount of the disability payments received and the time spent on disability leave will be deducted from the benefits available to the Senior Manager. After a 12-month period of continuing disability, the University may at any time terminate active employment with the University.

Retirement Income Programs

University of California Retirement Plan (UCRP)

The University of California Retirement Plan (UCRP) provides retirement income for eligible employees (and their eligible survivors and beneficiaries) of the University of California and its affiliate, Hasting College of the Law. UCRP also provides disability and death benefits, a lump sum cashout, and, for certain members, a Capital Accumulation Provision (CAP).

UCRP is a governmental defined benefit pension plan established and maintained under Internal Revenue Code (IRC) §401(a). Benefits are determined not by contributions to the Plan, but by defined formulae that vary according to the type of benefits payable (for example, retirement, disability, or survivor benefits). The formulae are based on such factors as a member's salary, age, and years of service credit.

The Omnibus Budget Reconciliation Act of 1993 amended Internal Revenue Code Section 401(a)(17), that limits the annual compensation that can be taken into account for determining retirement plan contributions and benefits. For an employee who became a UCRP member after July 1, 1994, no covered compensation in excess of the current limit of $170,000 is included in the calculation of UCRP retirement benefit for the fiscal year. This limit is periodically adjusted, and will rise to $200,000 as of July 1, 2002. Currently, neither the University of California nor its employees make monthly contributions to the Plan, as it is fully funded. Instead, all eligible employees contribute an amount equal to the UCRP contribution formula, to their own individual Defined Contribution (DC) Plan Pretax accounts.

Because UCRP is a defined benefit plan and the benefits paid are a function of age, length of service and salary, there is a wide variance between the lowest and highest benefit which would be payable to the current Chancellors.

Given the current average salary of the Chancellors ($286,210) the UCRP annual normal cost for the retirement benefit (currently 14.91%) is $42,674 per Chancellor.

DC Plan Pretax Account

The University of California offers eligible employees of the University, its affiliate, Hastings College of the Law, and an associated institution, the California State University (CSU), a tax-advantaged retirement plan to provide supplemental retirement benefits. The Plan is a defined contribution plan under §401(a) of the Internal Revenue Code.

The DC Plan has separate accounts for pretax and after-tax contributions. The Pretax Account contains mandatory contributions from nearly all employees who are UCRP members, as well as from certain other employees who are not UCRP members. In accordance with IRC §414(h), contributions to the Pretax Account are deducted from gross salary, and income taxes are calculated on remaining pay, reducing the participant's taxable income. Taxes on contributions and any earnings are deferred until the participant withdraws the money.

The After-Tax Account contains voluntary contributions that are deducted from a participant's net income, as well as rollovers from other qualified 401(a) and 401(k) plans.

Tax-Deferred 403(b) Plan

The University of California offers eligible employees of the University and its affiliate, Hastings College of the Law, a tax-advantaged retirement plan to provide supplemental retirement benefits. The Plan is a defined contribution plan described under §403(b) of the Internal Revenue Code. Future benefits from the Tax-Deferred 403(b) Plan is based on participants' voluntary contributions plus earnings, and vesting is immediate.

Employees who participate in the 403(b) Plan designate a portion of their gross salary to contribute on a pretax basis. Income taxes are calculated on remaining pay, thus reducing the participant's taxable income. Taxes on contributions and any earnings are deferred until the participant withdraws the money. The University of California does not make contributions to the 403(b) Plan.

Senior Management Severance Pay Plan

As of July 1, 1996 new Senior Managers holding academic appointments are not eligible for participation in the Senior Management Severance Pay Plan. Thus, Chancellors newly hired to the University generally do not participate. However, since some of the current Chancellors are members of this plan, this benefit is noted here, and the cost is calculated as 5% of the Chancellor's average salary ($286,210) at $14,311 annually.

The Senior Management Severance Pay Plan (SMSPP) provides severance pay for eligible Senior Managers upon separation from University-paid service. Participants accumulate severance pay credits each month based upon their monthly covered compensation and appointment level. Covered compensation includes all earnings that are considered covered compensation for the UCRP or Public Employees Retirement System, excluding any additional compensation earned under a medical school compensation plan. Credits accrued under the SMSPP are not used in determining benefits under provisions of other University benefit plans.

The SMSPP accounts are credited with severance pay credits and interest earnings each quarter. Severance pay credits are not earned in any month in which the Senior Manager is appointed for less than 100% time. Severance pay credits are based on a flat percentage rate applied to a whole month'' covered compensation. Percentage rates are based on the grade level of the Senior Manager and range from 3% for grade A to 5% for grades B, C, D, and E. Each quarter, interest earnings equal to the University's most current Short-Term Investment Pool (STIP) rate are compounded and posted to accrued severance pay credits. Severance pay is limited to twice the annual UC income shown on the Form W-2 for the tax year immediately preceding the separation from UC-paid service.

When a Senior Manager separates/retires from the University, the accumulated severance pay credit balance at the beginning of the month of separation/retirement will be the basis for the interest calculation at the end of the month. Interest will continue accruing until the end of the last full month of employment for which monthly covered compensation is paid. The most current quarterly STIP rate is used to calculate interest amounts. The severance pay is paid as a wage within 72 hours of separation/retirement.

Social Security and Medicare

All but a very few UC employees (those grandfathered under a pre-1976 UCRP provision) pay Social Security and Medicare taxes. The 2002 withholding rates for both the University and the employee are as follows: (1) Maximum Social Security Taxable Earnings: $84,900 / Tax Withheld: $5,263.80 / Earnings Percent: 6.2%; and (2) Maximum Medicare Taxable Earnings: No limit / Earnings Percent: 1.45%.

Additional Benefit Programs

DepCare Reimbursement Plan

The University of California provides Senior Managers and eligible employees a plan to set aside employee pretax dollars to pay for certain dependent day care expenses.

Time Off Benefits

Sick Leave

All UC staff (including Senior Managers) and many UC faculty accrue at the rate of .046154 hours per hour on pay status. There is no limit on the amount of sick leave that can be accrued.

Vacation

Senior Managers who do not hold dual academic appointments fall under the University-wide rules for all staff earning 18 days of vacation per year if service credit is 5 years or less, 21 days if service credit is five years but less than 10 years, and 24 days for 10 years of service or more. Senior Managers holding academic appointments fall under the academic personnel provisions for vacation accrual.

Holidays

The University of California employees receive thirteen paid holidays per year.

Special Senior Managers' Perquisites

The Regents recognize the extensive business-related, public relations and institutional development obligations of certain Senior Managers and provide special perquisites in recognition of these obligations.

Housing and Housing Allowances

The University of California provides an official residence for the President and for the Chancellors of each campus. Those living in University-provided official residences receive an annual housing maintenance fee for upkeep of the property. Note: The President and some of the Chancellors continue to own their own homes, while others sell their personal residences upon assuming the chancellorship, and purchase a home again, prior to leaving their Chancellorial position. At present, one Chancellor is participating in the Mortgage Origination Program (MOP), a reduced rate program available to Senior Managers. This loan was granted prior to the appointment as Chancellor.

Automobile/Leased and Automobile Allowances

The University of California provides the President, Chancellors, Executive Vice Chancellors, Vice Chancellors--University Advancement, and the Senior Vice Presidents, and eligible senior managers with an annual allowance of $8,916 which may be used in a variety of ways to provide an automobile for the conduct of University business.

Administrative Fund

The University of California provides an administrative fund to the President, the Senior Vice Presidents, and the Chancellors, to be used for the conduct of University business. The amount of the fund depends on the position and location of the recipient, and the use of the funds is governed by policy.

CALIFORNIA POSTSECONDARY EDUCATION COMMISSION

THE California Postsecondary Education Commission is a citizen board established in 1974 by the Legislature and Office of the Governor to coordinate the efforts of California's colleges and universities and to provide independent, non-partisan policy analysis and recommendations on higher education issues.

Members of the Commission

As of July 2002, the Commissioners representing the general public are:

Alan S. Arkatov, Los Angeles; Chair
Carol Chandler, Selma; Vice Chair
Lance Izumi, Sacramento
Kyo "Paul" Jhin, Malibu
Guillermo Rodriguez, Jr., San Francisco
Evonne Seron Schulze, San Diego
Olivia K. Singh, San Francisco
Howard Welinsky, Burbank
Melinda G. Wilson, Torrance

Representatives of California education systems are:

Irwin S. Field, Beverly Hills; appointed by the Office of the Governor to represent the Association of Independent California Colleges and Universities;

Vacant; appointed by the Board of Governors of the California Community Colleges;

Susan Hammer, San Jose; appointed by the California State Board of Education;

Anthony M. Vitti, Newport Beach; appointed by the Trustees of the California State University; and

Odessa P. Johnson, Modesto; appointed by the Regents of the University of California.

The two student representatives are:

Rachel Shetka, Santa Barbara
Vacant

Of the 16 Commission members, nine represent the general public, with three each appointed for six-year terms by the Office of the Governor, the Senate Rules Committee, and the Speaker of the Assembly. Five others represent the major systems of postsecondary education in California. Two student members are appointed by the Office of the Governor.

Functions of the Commission

The Commission is charged by the Legislature and the Office of the Governor to "assure the effective utilization of public postsecondary education resources, thereby eliminating waste and unnecessary duplication, and to promote diversity, innovation, and responsiveness to student and societal needs."

To this end, the Commission conducts independent reviews of matters affecting the 2,600 institutions of postsecondary education in California, including community colleges, four-year colleges, universities, and professional and occupational schools.

As an advisory body to the Legislature and Office of the Governor, the Commission performs specific duties of planning, evaluation, and coordination by cooperating with other State agencies and nongovernmental groups that perform those other governing, administrative, and assessment functions. The Commission does not govern or administer any institutions, nor does it approve, authorize, or accredit any colleges and universities.

Operation of the Commission

The Commission holds regular public meetings throughout the year at which it discusses and takes action on staff studies and takes positions on proposed legislation affecting education beyond the high school level in California. Requests to speak at a meeting may be made by writing the Commission in advance or by submitting a request before the start of the meeting.

The Commission's day-to-day work is carried out by its staff in Sacramento, under the guidance of Interim Executive Director Robert L. Moore, who is appointed by the Commission.

Further information about the Commission and its publications may be obtained from the Commission offices at 1303 J Street, Suite 500, Sacramento, California 98514-2938; telephone (916) 445-7933; web site www.cpec.ca.gov.

Executive Compensation in California Public Higher Education, 2001-02

Commission Report 02-11

ONE of a series of reports published by the California Postsecondary Education Commission as part of its planning and coordinating responsibilities. Summaries of these reports are available on the Internet at http://www.cpec.ca.gov. Single copies may be obtained without charge from the Commission at 1303 J Street, Suite 500, Sacramento, California 95814-2938. Recent reports include:

2001

01-6 *Needs Analysis for the Chaffey Community College District Fontana Center: A Report to the Governor and Legislature in Response to a Request from the Board of Governors of the California Community Colleges* (July 2001)

01-7 *Examining Standardized Testing in the Context of University Admissions* (August 2001)

01-7a *California and Mexico: The Realities and Possibilities for Higher Education* (November 2001)

2002

02-01 *Fiscal Profiles, 2001: The Eleventh Annual in a Series of Factbooks About the Financing of California Higher Education* (January 2002)

02-02 *Needs Analysis for the West Hills College at Lemoore, West Hills Community College District: A Report to the Governor and Legislature in Response to a Request from the Board of Governors of the California Community Colleges* (February 2002)

02-03 *Student Transfer in California Postsecondary Education* (February 2002)

02-04 *California Colleges and Universities, 2002: A Guide to California's Degree-Granting Institutions and to Their Degree, Certificate, and Credential Programs* (April 2002)

02-05 *The California Postsecondary Education Commission's Public Agenda: Priorities for Action* (April 2002)

02-06 *Guidelines for Review of Proposed University Campuses, Community Colleges, and Educational and Joint-Use Centers* (April 2002)

02-07 *Performance Indicators of California Higher Education, 2001: The Eighth Annual Report to California's Governor, Legislature, and Citizens in Response to Assembly Bill 1808 (Chapter 741, Statutes of 1991)* (April 2002)

02-08 *The Condition of Higher Education in California, 2002* (May 2002)

02-09 *The Otay Mesa Higher Education Center: An Off-Campus Facility of the Southwestern Community College District: A Report to the Governor and Legislature in Response to a Request from the Board of Governors of the California Community Colleges* (June 2002)

02-10 *Priorities for California Educational Technology Funding: A Report in Response to AB 1123* (July 2002)

02-11 *Executive Compensation in Public Higher Education, 2001-02* (July 2002)

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